



STRZELECKI
Metals Limited

Friday, 29 January 2010

STRZELECKI METALS LTD
ASX RELEASE

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SECOND QUARTER ACTIVITIES REPORT THREE MONTHS TO 31 DECEMBER 2009

HIGHLIGHTS

Myszków Mo-Cu-W Project, Poland

The Concept Study

In the quarter in review the Company received a Concept Study for the Myszków Project prepared by Coffey Mining of Perth. Based on the Study recommendations, some follow up work was undertaken. The Concept Study was the first attempt to holistically look at the Myszków deposit taking into account geology, resources, mining technology, metallurgy and processing, and the economic viability of the whole operation. The conclusion was that at Myszków a profitable underground operation could be developed, even at today's depressed commodity prices, however, a definition drilling for the resource upgrade and metallurgical tests are required. More details of the Coffey's report could be found in the Strzelecki's ASX announcement dated 16/10/2009.

Metallurgical tests

Following the Study recommendation, new metallurgical tests of the core samples from the Company drilled hole were commissioned to a reputable laboratory in the UK. Results are expected by the end of January 2010.

Next stage drilling

In the quarter, Coffey Mining had also a significant contribution into the Company's next stage drilling program. The program envisages diamond drilling of approx. 6000m (6 holes) with a view of a better definition of the orebody, and in particular the upgrading of its Inferred Resource into Indicated and Measured categories in the area of the deposit where the mine location is proposed in the Concept Study. The re-start of the drilling program is expected in Q3 of 2010.

Concession extension

In December 2009 an application for the further 5 year extension of the concession has been lodged with the Polish authorities as the current 5-year licence is due for renewal by March 2011.

Project Promotion

Significant efforts were made by the Company to bring the size, quality and stage of development of the Myszków project to the attention within the global molybdenum industry.

These included Strzelecki Metals' participation in a major Molybdenum and Tungsten forum in China (November 2009) and annual Mines & Money forum in London (December 2009).

Australian Projects

West Musgrave Project

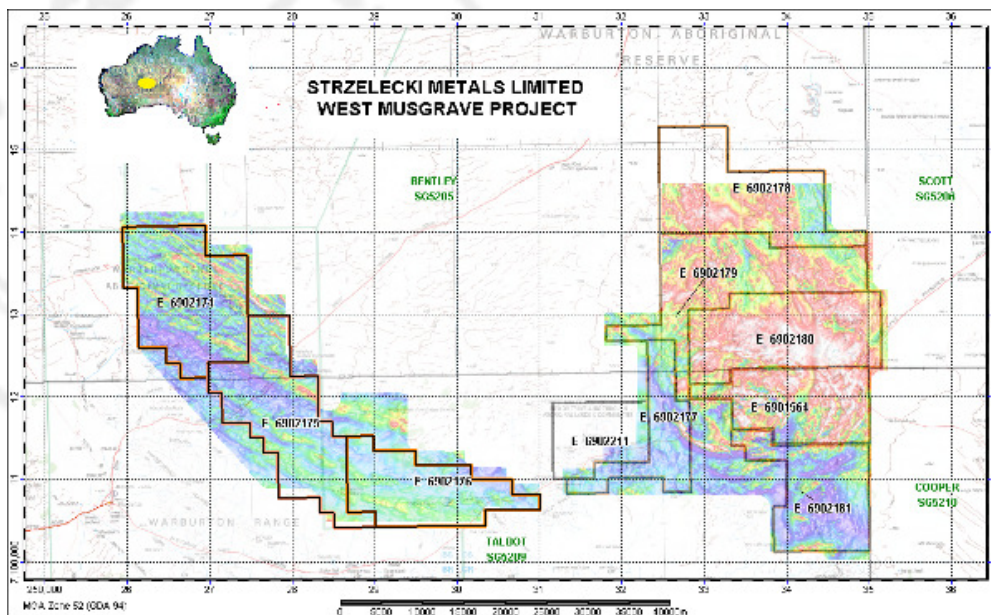
New Joint Venture

Following Marathon's withdrawal from the Warburton Joint Venture during the previous quarter, Strzelecki Metals now holds 100% of all tenements in this Project. Strzelecki has now stepped up its exploration effort in the West Musgrave and has successfully negotiated and signed a new Joint Venture Agreement with Tortuga Advisors Ltd, an unlisted, public company incorporated in Victoria and is subject to Ministerial approval and the consent of the Ngaanyatjarra Council.

The joint venture paves the way for Tortuga to earn up to 80% interest in the tenements by spending \$4 million on exploration over the central Australian tenements within five years. Tortuga cannot withdraw from the joint venture before spending \$750,000, and once Strzelecki's interest has reduced to 20% it can elect to change its participating interest into a 14% interest free carried to a decision to mine. Tortuga will earn its interest with three expenditure tranches of \$0.75, \$1.5 and \$1.75 million corresponding to an earned interest of 15%, 51% and 80%.

This new agreement covers Strzelecki's nine tenements in the West Musgrave (Warburton and Egerton areas) covering a total of 1,489 square kilometers. These are highly prospective for Gold, Copper, Nickel, PGE as well as Uranium, located as shown in Figure 1. During this reporting period, Strzelecki reluctantly surrendered tenth tenement (E69/2211) as it was clear that the expenditure commitment for that tenement could not be reached in the time frame remaining.

Figure 1 – General Location of Strzelecki's West Musgrave Project



Strzelecki's eastern tenements (Warburton) abut the grounds of BHP Billiton, where the Babel and Nebo Nickel discoveries are located. In the south, the Warburton tenements are abut the exploration ground held by Beadell Resources, which recently announced an encouraging gold discovery associated with brecciated rhyolites and agglomerates that are abundant on Strzelecki's ground.

Soil Sampling Program

A soil sampling program has been completed within the six exploration tenements (E69/1564, E69/2177-2181) with a focus on central and southern part of the Eastern portion (Warburton) of the Project Area (Figure 2).

The sample sites were selected to test for mafic affinities as these appear to be the primary hosts for mineralisation identified to date within the region as with the Nebo and Babel mafic hosted Nickel deposit of BHP Billiton, directly east of the project area. A total of 53 elements assayed for including Au, Cu, Ni, PGE and U.

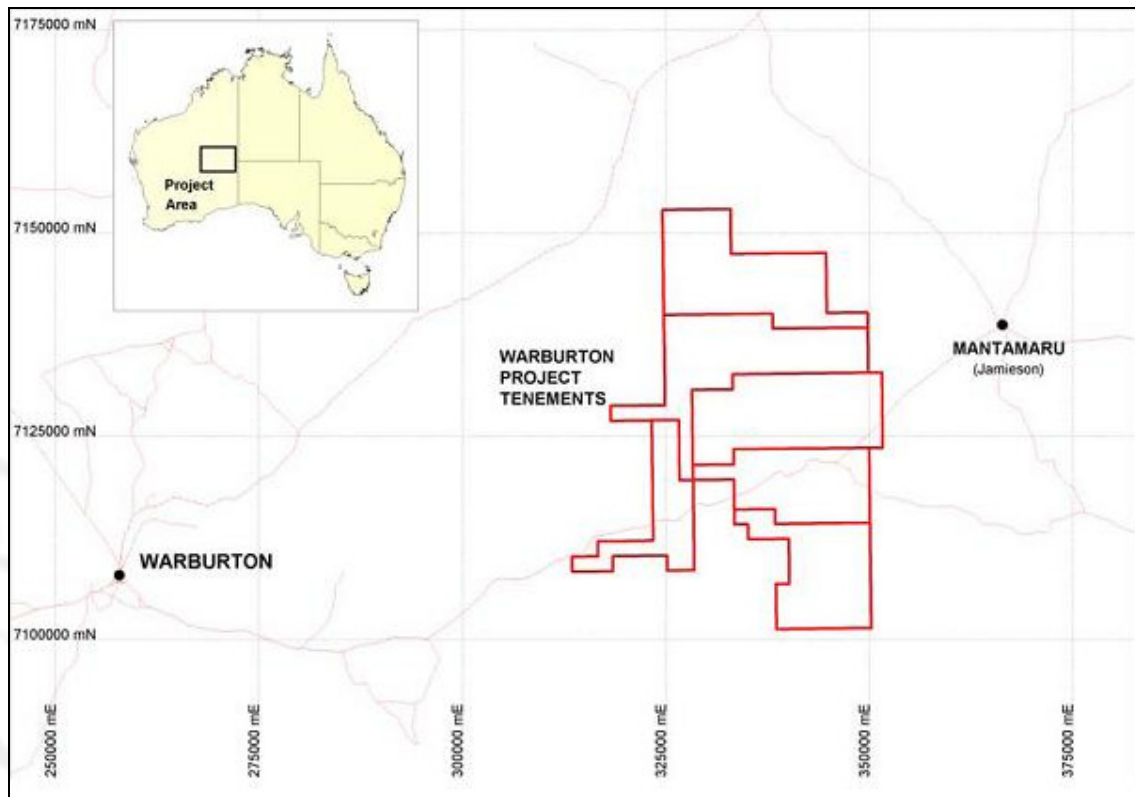


Figure 2 – Location of Soil Sample Project Area

The results from this soil sampling program have been reviewed in conjunction with open file data, and statistically interrogated to identify the probable source lithologies. Figure 3 shows the distribution of various geochemical sampling programs that have been completed by Strzelecki,

including the most recent soil sampling program. Figure 4 shows the distribution of open file soil and rock chip samples that were collected by Western Mining and have been *also* used in this investigation.

Based on the interrogation of all data, mafic and possible ultramafic lithological units were interpreted within the area. Several statistically anomalous areas have been identified that warrant further exploration.

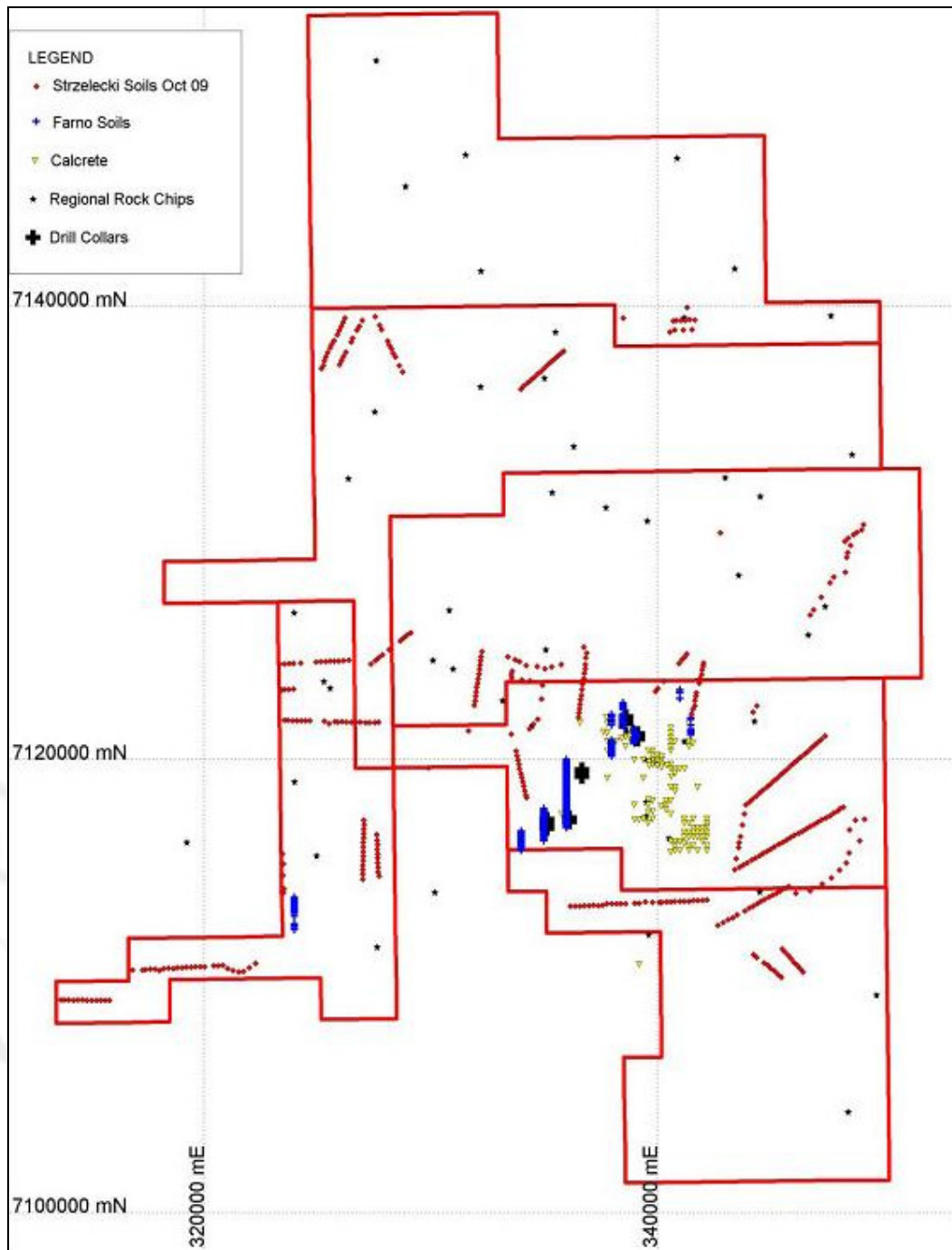


Figure 3 – Distribution of Strzelecki Metals sampling

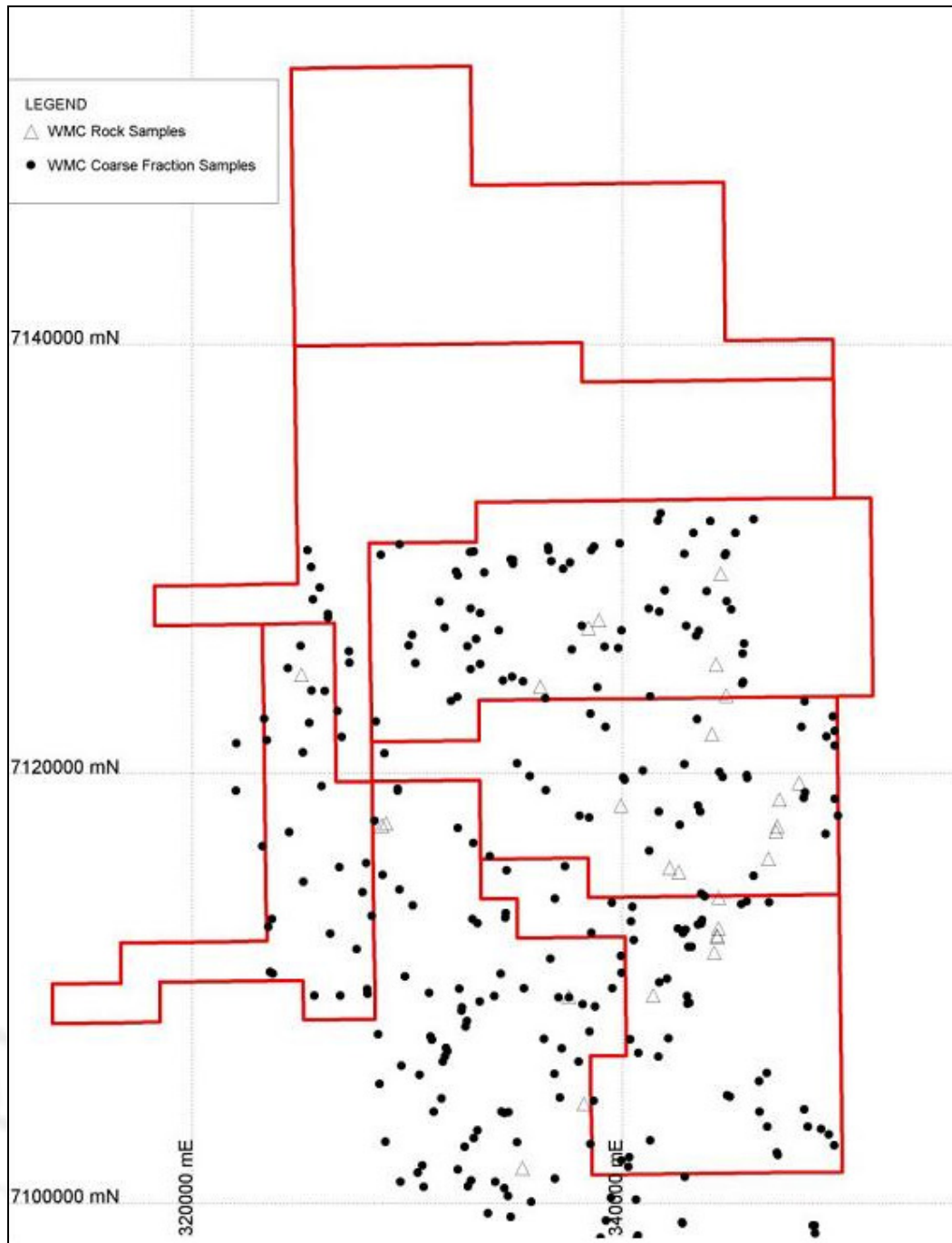


Figure 4 – Distribution of Open File sampling

Gold

Gold responses tend to be subdued probably due to an aeolian sand component in the samples, and in this context the regional soil response of 50ppb were considered to be significant. There are several zones which show elevated gold responses. In particular, two north easterly trending zones of Au anomalies, surrounding a northerly extending major palaeo-channel feature have been determined, as indicated in Figure 5.

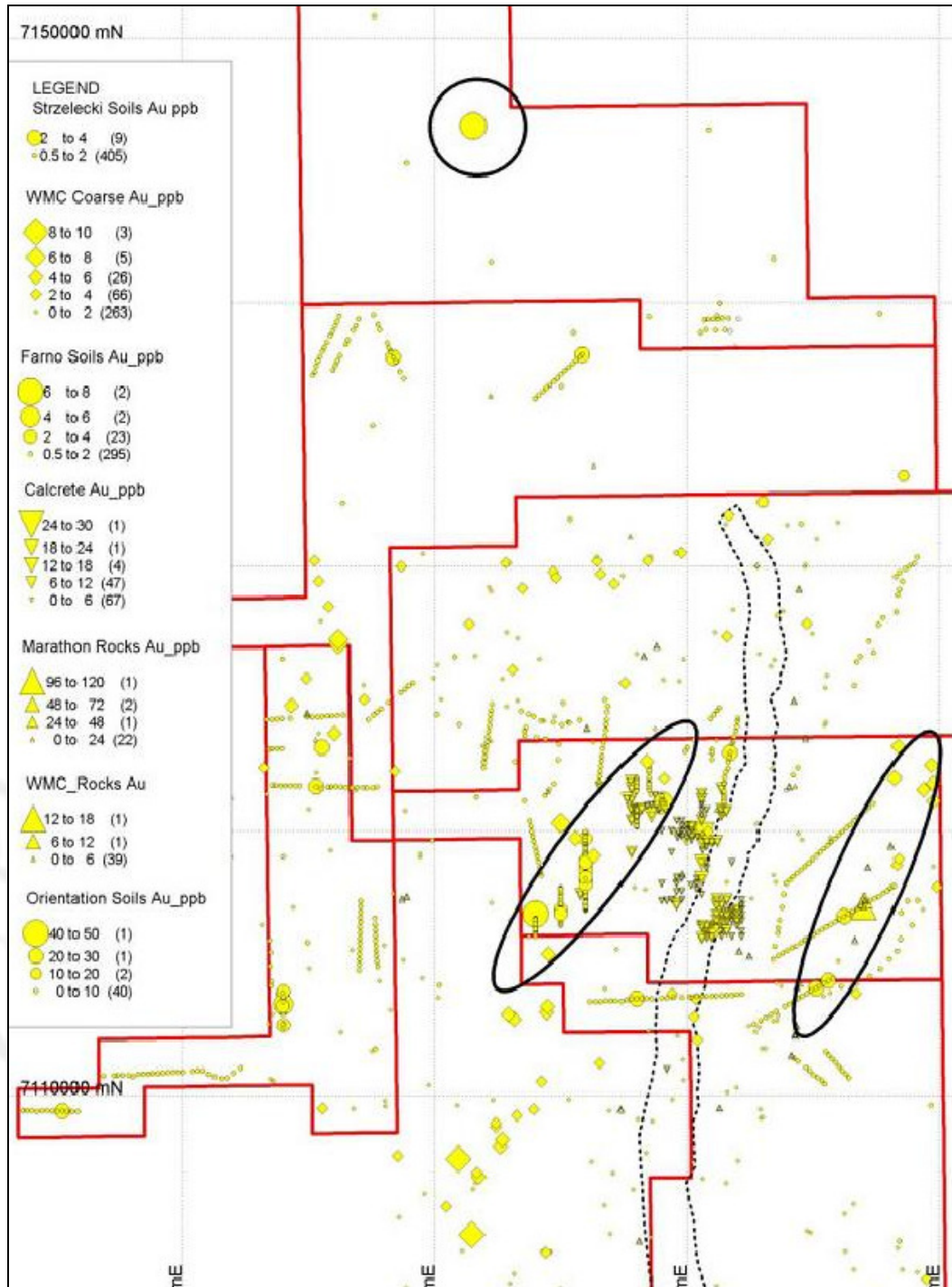


Figure 5 – Gold Soil Geochemistry

Copper

Copper responses are more widespread showing a correlation with anomalous PGE, however, still with a similar to Au anomaly location/pattern along a north east trending zones (Figure 6). These zones can be easily correlated with dominant a north east oriented set of regional faults/structures and lithological trend, suggesting a possibility that anomalous geochemistry could be related to such structures. This warrants further exploration in the area.

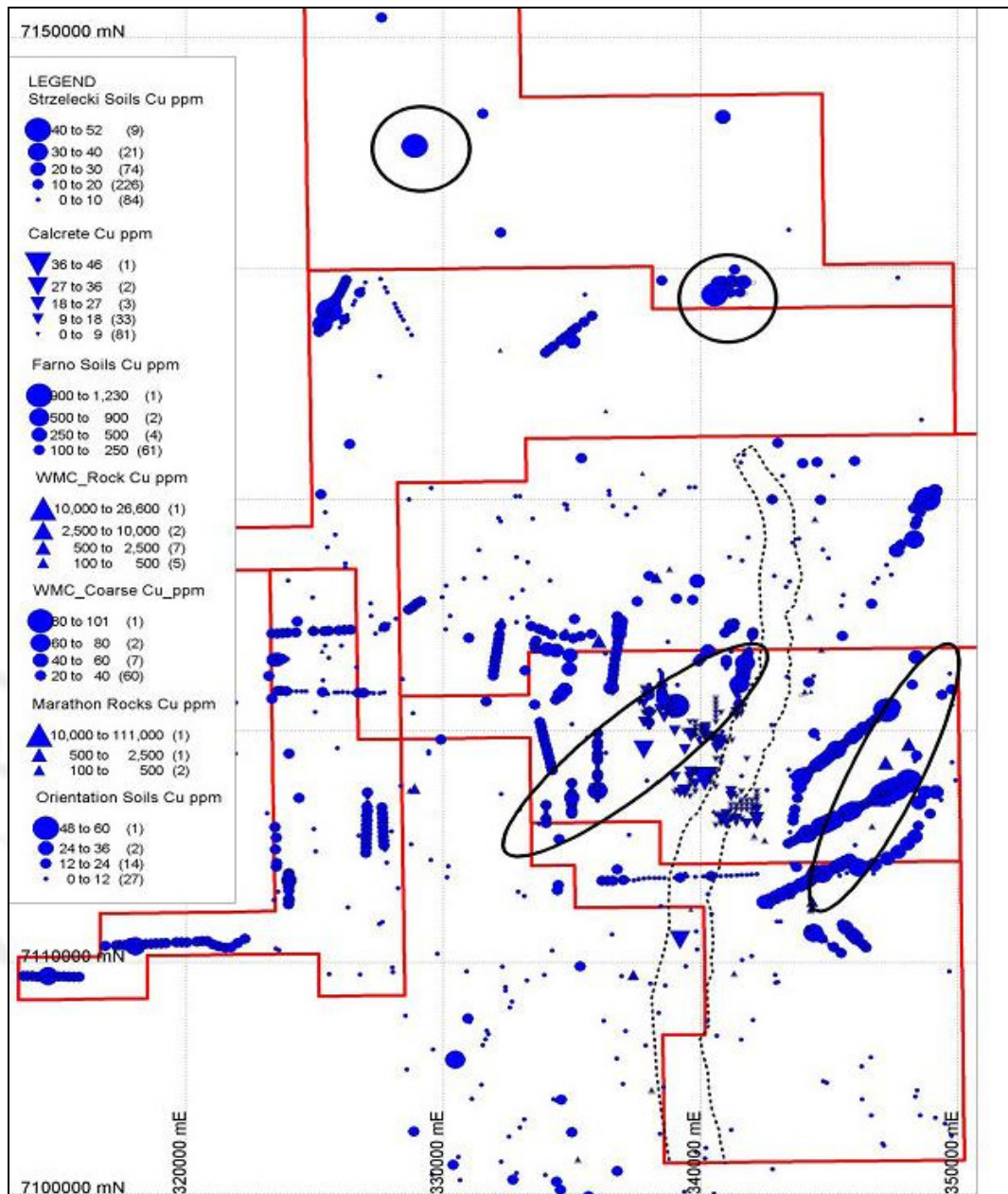


Figure 6 – Copper Soil Geochemistry

Nickel

The distribution of the Nickel responses (Figure 7) shows close correlation with the Au and Cu responses. There are two distinct areas of elevated responses on each side of the palaeo-channel. Although only one area of mafic lithologies is known from this part of the tenements, the elevated Ni responses suggest the presence of additional mafic sources.

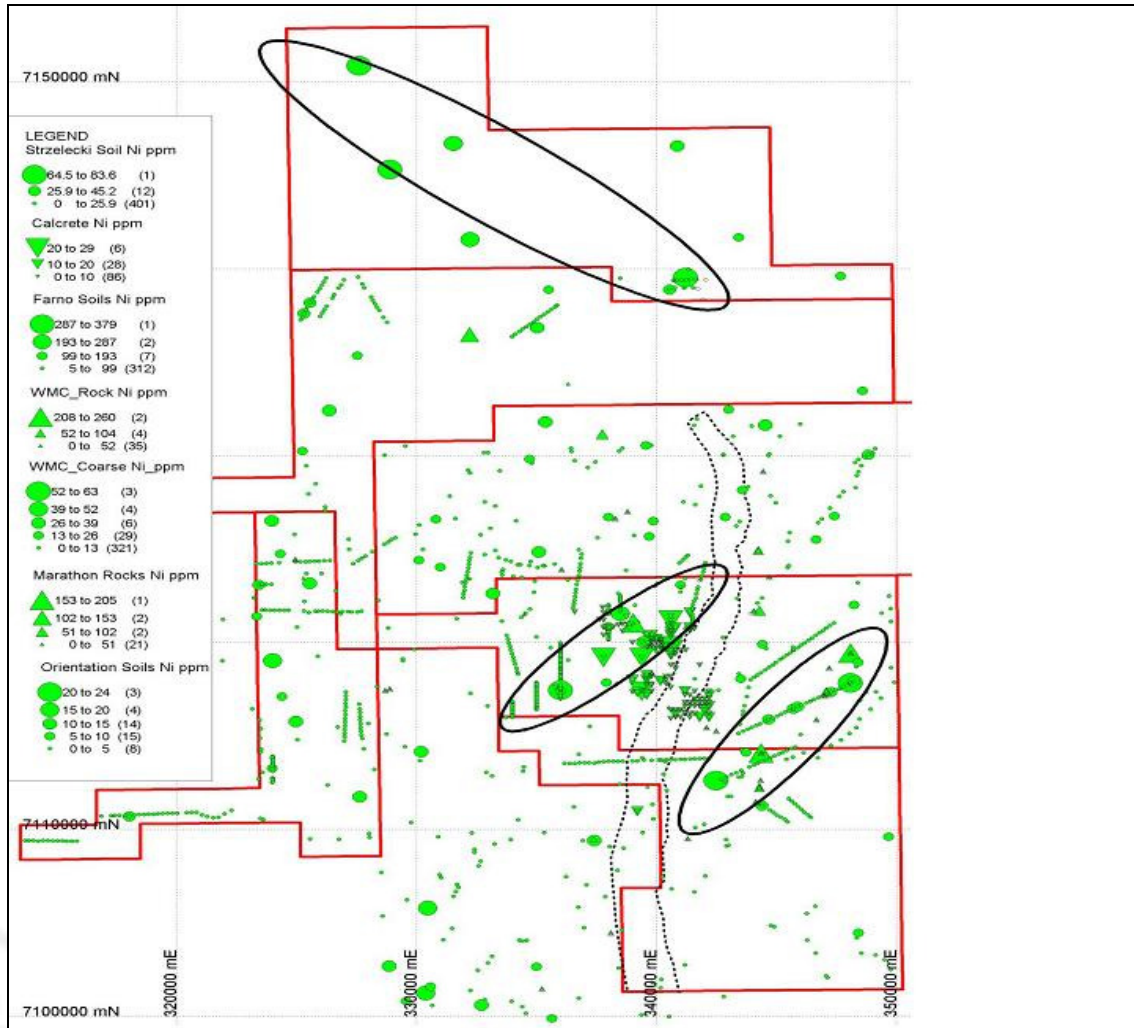


Figure 7 – Nickel Soil Geochemistry

Zinc

The Zinc responses (Figure 8) show close spatial correlation with the Cu and Ni geochemical anomalism pattern with strongly elevated responses, particularly consistent with the Nickel responses.

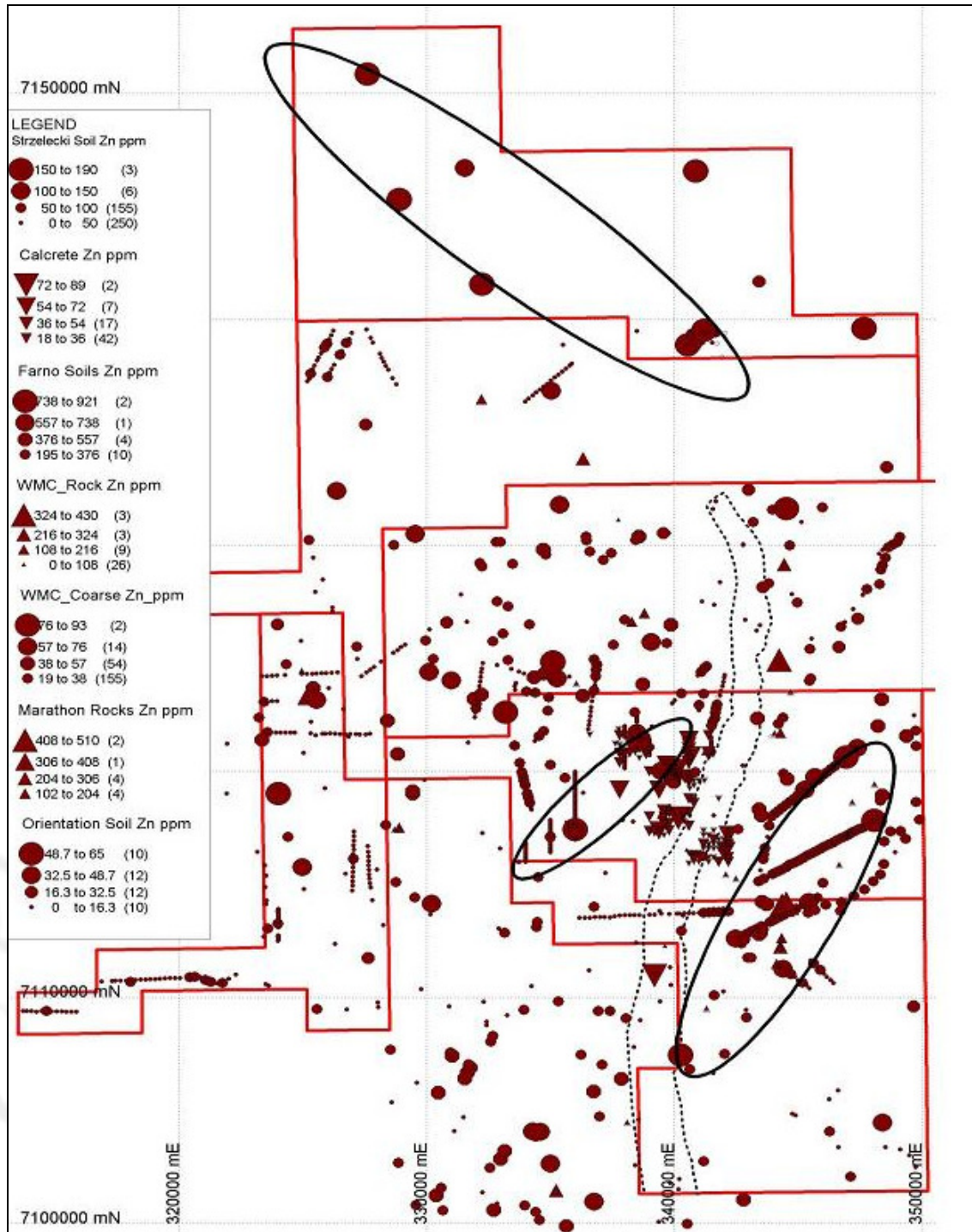


Figure 8 – Zinc Soil Geochemistry

Uranium

The south west corner of the Project area has substantial outcrop of felsic/acid lithologies. The radiometric image in Figure 9 shows strong contrast between these levels and the extremely low levels throughout the rest of the area which likely to be due to the sand cover.

Uranium levels up to 95ppm, as recorded on the east side of the palaeo-channel, was considered to be anomalous and worthy of follow up exploration.

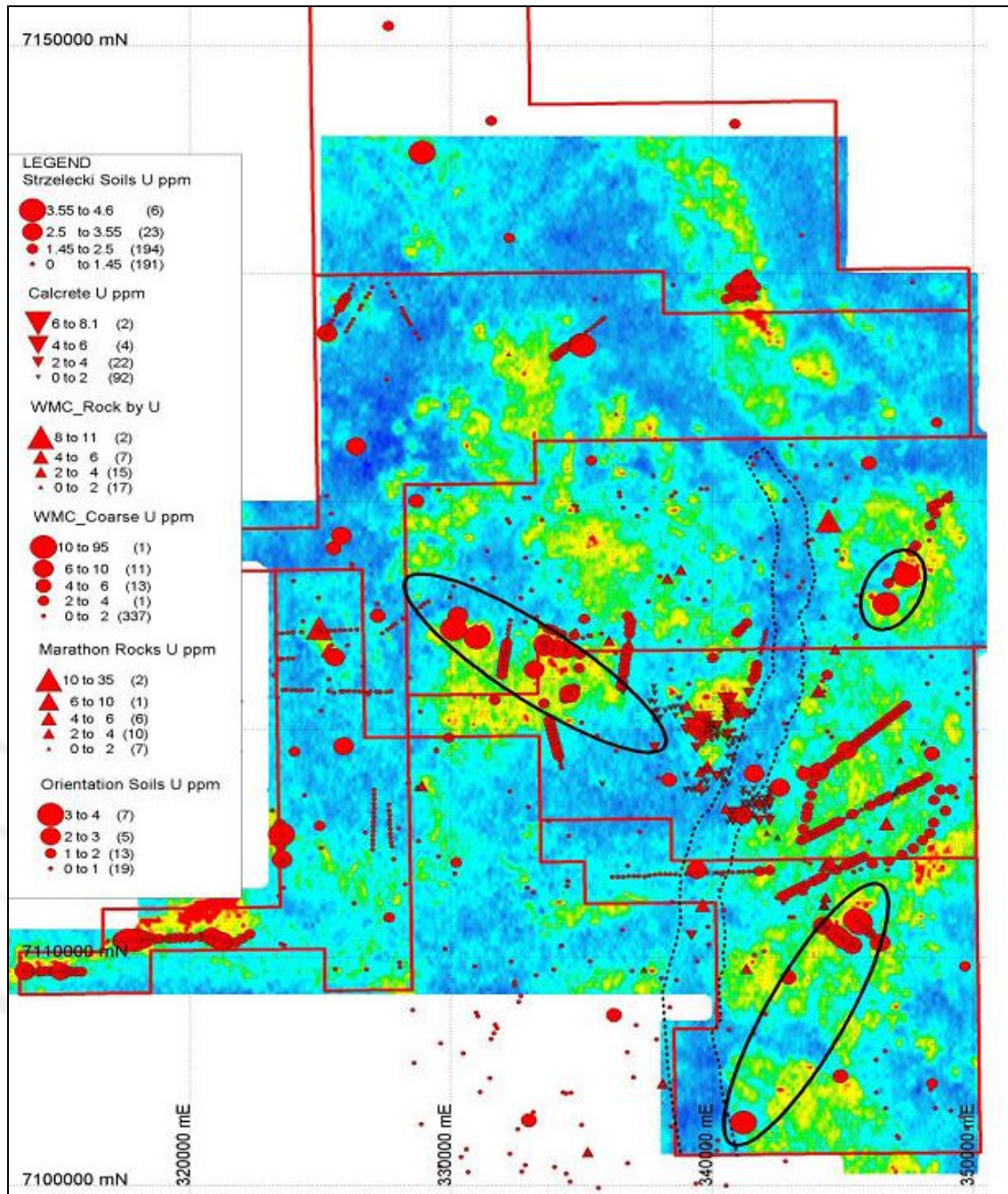


Figure 9 – U Soil Geochemistry

Molybdenum

The Mo responses shown in Figure 10 show a similar distribution to other elements with the two zones trending north east, and appear to be related to the north east trending structural zones.

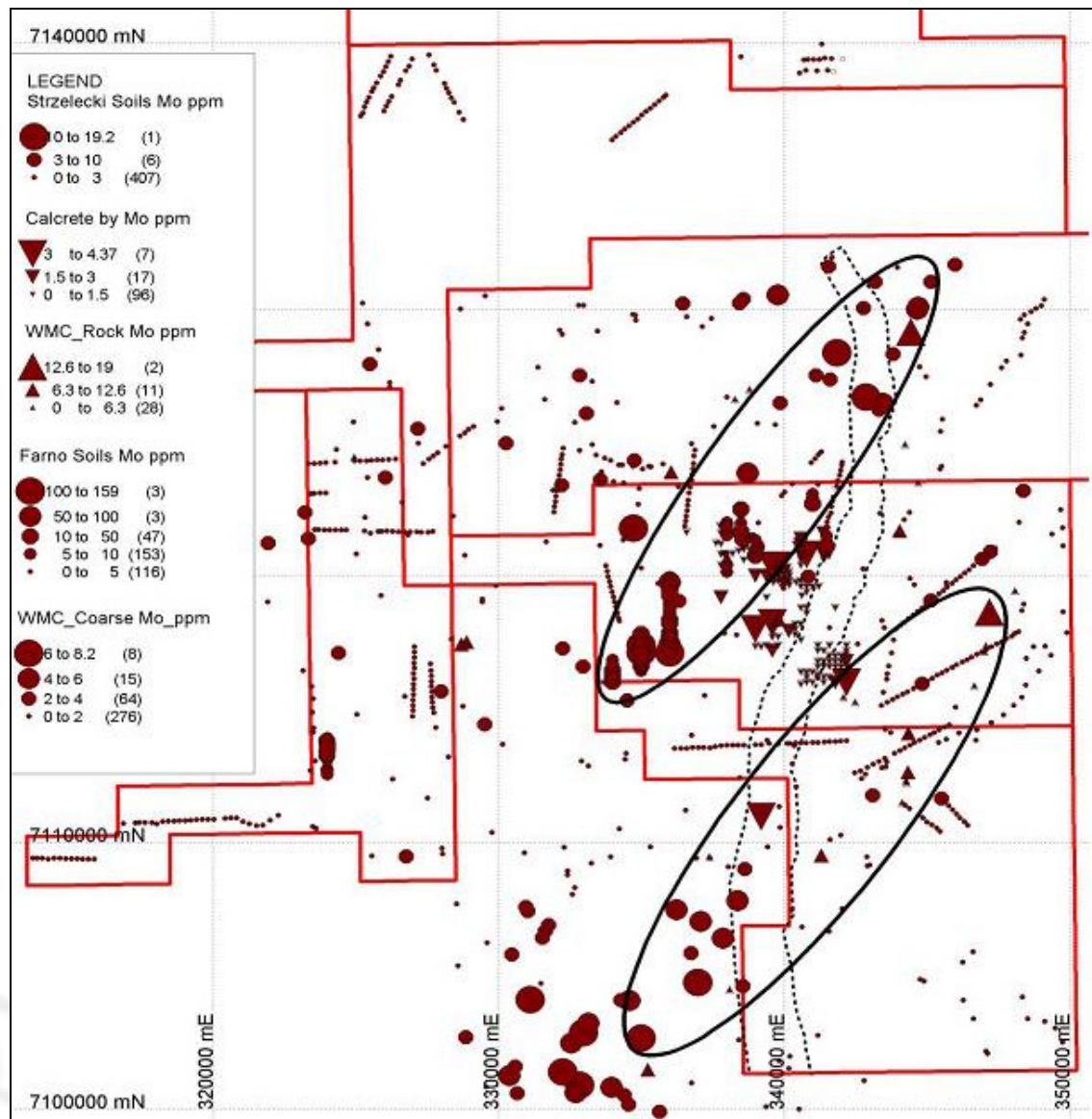


Figure 10 – Mo Soil Geochemistry

Inferred Geology

Based on the lithologies indicated by the geochemical analysis of the soil and calcrete samples and field identification of numerous rock chip samples, and limited regional geological information, the inferred geology has been interpreted (Figure 11). The majority of samples in the southwest and central area west of the palaeo-channel have been interpreted as andesitic units. A north-south zone along the western side has been interpreted to be predominately basaltic, while there appears to be a mix of andesitic and basaltic units to the east of the palaeo-channel. Four areas of ultramafic units have been inferred as shown in Figure 11.

The structural components and the extent of the inferred rock units are interpreted from the regional magnetic data. This indicates that tectonic structures in the east part of the Project area

(Warburton) are dominated by intensely developed north east oriented fault system, with a less accentuated north west fault trend. Comparing dominant distribution of geochemical anomalies for Au, Cu, Mo and Zn along north east trend, their correlation with structures of this system can be interpreted (Figures 5 - 10).

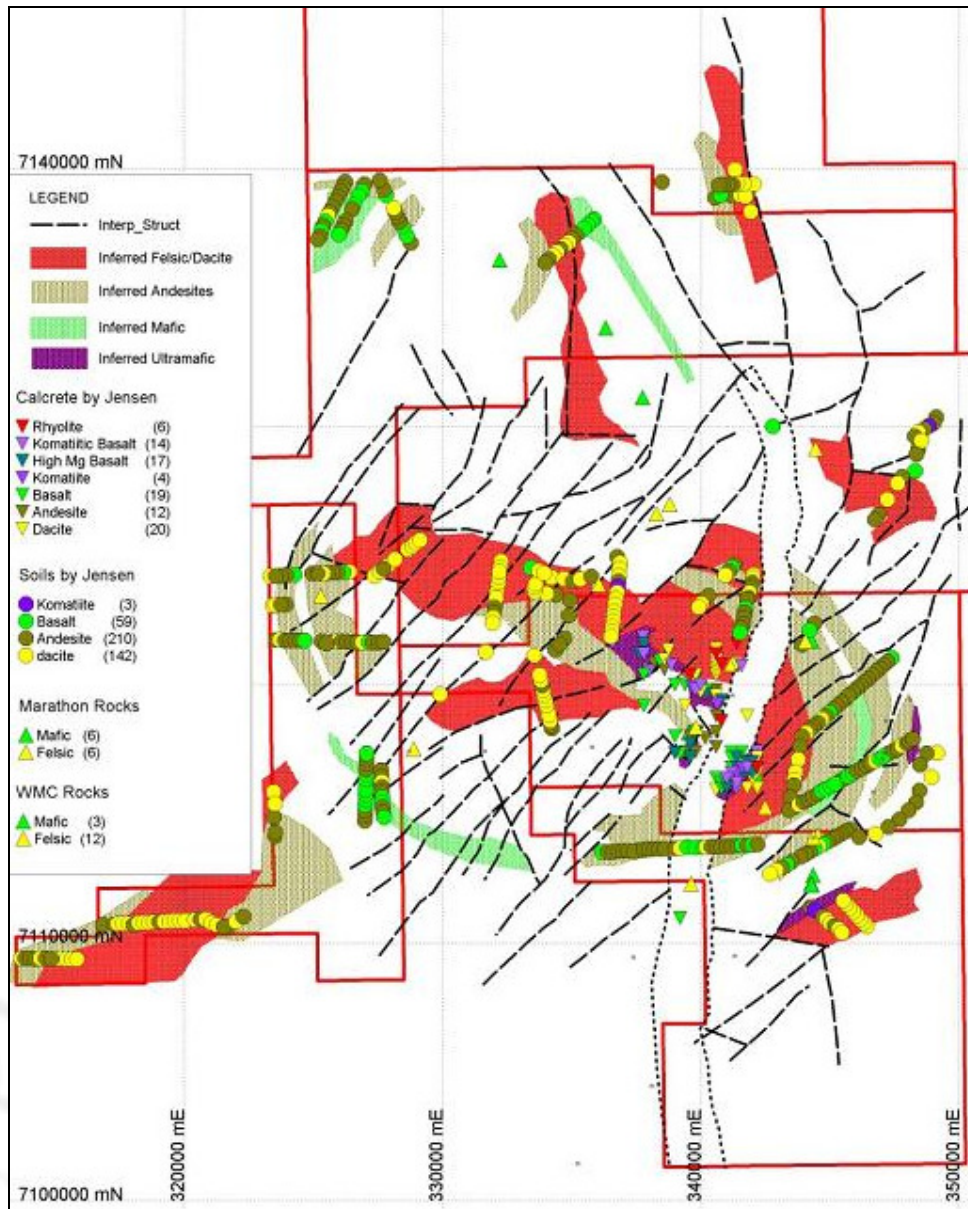


Figure 11 – Inferred Geology

Yandeyarra Project

Strzelecki Metals and Farno MacMahon Pty Ltd have entered into a Sale Agreement whereby Farno MacMahon has committed to the purchase of the Yandeyarra assets for the consideration of \$225,000.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves has been compiled by Dr W Bogacz, Director of Strzelecki Metals Ltd and a Member of the Australian Institute of Geoscientists. Dr Bogacz has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person for the purposes of the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Bogacz consents to inclusion in the report of these matters based on their information in the form and context in which it appears.

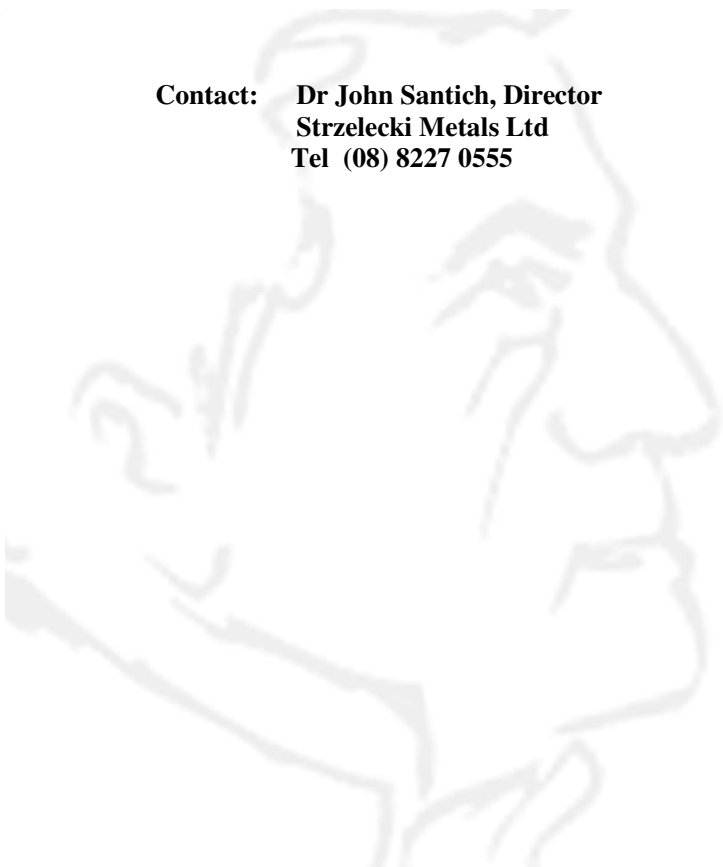
Capital

During the quarter the company issued 5,138,445 shares at \$0.065 cents per share through a share purchase plan offer to existing shareholders. The company also issued 500,000 unlisted options under a services contract. The issued capital of the company as of 31 December 2009 was 157,713,535 shares and 107,940,072 options.

Financial

The ASX Appendix 5B Statement of Cash Flows for the period 1 October through 31 December 2009 is attached.

**Contact: Dr John Santich, Director
Strzelecki Metals Ltd
Tel (08) 8227 0555**



Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

STRZELECKI METALS LIMITED

ABN

35 116 249 060

Quarter ended ("current quarter")

31 December 2009

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from product sales and related debtors		4
1.2	Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(595) (318)	(926) (663)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	3	16
1.5	Interest and other costs of finance paid	(11)	(22)
1.6	Income taxes paid		
1.7	Other (provide details if material)(ATO ITC's)	38	65
	Net Operating Cash Flows	(883)	(1526)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects (b)equity investments (c) other fixed assets	(4)	(29)
1.9	Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)	(4)	(29)
	Net investing cash flows		
1.13	Total operating and investing cash flows (carried forward)	(887)	(1555)

1.13	Total operating and investing cash flows (brought forward)	(887)	(1555)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	334	1154
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings	(10)	(91)
1.18	Dividends paid		
1.19	Other (provide details if material) expenses re Capital raising		(41)
	Net financing cash flows	324	1022
	Net increase (decrease) in cash held	(563)	(533)
1.20	Cash at beginning of quarter/year to date	1,493	1,463
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter*	930	930

*Cash at end of quarter includes bonds held against Australian tenements of \$70,000 and deposits secured against property purchases in Poland of \$500,000.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	139
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

Amount available \$A'000	Amount used \$A'000

3.1	Loan facilities		
3.2	Credit standby arrangements		

Estimated cash outflows for next quarter		
		\$A'000
4.1	Exploration and evaluation	150
4.2	Development	Nil
4.3	Production	Nil
4.4	Administration	254
	Total	404

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	367	930
5.2	Deposits at call	573	573
5.3	Bank overdraft		
5.4	Other (provide details) Mastercard	(10)	(10)
	Total: cash at end of quarter (item 1.22)	930	1493

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
	Yandeyarra			
	E47/1161	See note(1)	Alluvial rights	Nil
	E47/1162	See note(1)	Alluvial rights	Nil
	E47/1163	See note(1)	Alluvial rights	Nil
	E47/1164	See note(1)	Alluvial rights	Nil
	E47/1165	See note(1)	Alluvial rights	Nil
	E47/1166	See note(1)	Alluvial rights	Nil
6.2	Interests in mining tenements acquired or increased			
	Yandeyarra			
	E47/2168	Application for Exploration Licence	Nil	100%
	E47/1748	See Note (2)	See note (1)	See note(1)

Notes:

- (1) Tenement held by Chalice Gold Limited and Strzelecki Metals Limited has 100% beneficial interest in the alluvium.
- (2) Tenement surrendered by Chalice Gold.
- (3) 6 of 12 blocks surrendered by Chalice Gold.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	157,713,535	157,713,535		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	5,138,445	5,138,445		
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	6,250,000 39,470,036 1,000,000 46,720,036 10,000,000 1,000,000 1,000,000 2,000,000 500,000	Nil 39,470,036 Nil Nil Nil Nil Nil Nil Nil	<i>Exercise price</i> \$0.20 \$0.20 \$0.20 \$0.275 \$0.40 \$0.25 \$0.25 \$0.10 \$0.25	<i>Expiry date</i> 11/11/10 17/08/10 14/03/10 26/02/11 26/02/13 31/12/10 16/01/12 22/07/12 31/12/10
7.8 Issued during quarter	500,000	Nil	\$0.25	31/12/10
7.9 Exercised during quarter				
7.10 Expired during quarter				

7.11	Debentures <i>(totals only)</i>		
7.12	Unsecured notes <i>(totals only)</i>		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed..



Sign here:Date: 29 January 2010.....
(Company Secretary)

Print name: Graham Seppelt

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.